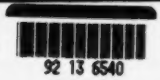


0 25508
Q 35466

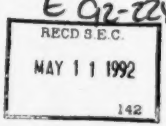
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

E 92-2247



(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended March 27, 1992

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

BEST COPY AVAILABLE

Commission file number 2-20910

COTTER & COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE	36-2099896
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2740 North Clybourn Avenue Chicago, Illinois	60614
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) 312-975-2700

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares outstanding of each of the Issuer's classes of Common Stock, as of April 24, 1992. (30

Class A Common Stock, $100 Par Value. 69,560 Shares.

Class B Common Stock, $100 Par Value. 1,014,948 Shares.

PROCESSED BY
9-9-V
MAY 13 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

COTTER & COMPANY

CONDENSED CONSOLIDATED BALANCE SHEET

(000's Omitted)

	March 27, 1992 (UNAUDITED)	December 28, 1991
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,382	$ 1,061
Accounts and notes receivable	307,547	242,591
Inventories (Note 3)	404,992	325,256
Prepaid expenses	14,357	6,842
Total current assets	732,278	575,750
Properties owned, less accumulated depreciation	180,749	171,965
Properties under capital leases, less accumulated amortization	10,117	10,298
Other assets	4,425	5,096
TOTAL ASSETS	$927,569	$763,109

See Notes to Condensed Consolidated Financial Statements.

COTTER & COMPANY

CONDENSED CONSOLIDATED BALANCE SHEET

(000's Omitted)

	March 27, 1992 (UNAUDITED)	December 28, 1991
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable and accrued expenses	$389,655	$322,570
Short-term borrowings	124,217	21,282
Current maturities of notes, long-term debt and lease obligations	39,395	39,426
Patronage dividends payable in cash (Estimated at March 27, 1992) (Note 2)	3,413	18,423
Total current liabilities	556,680	401,701
Long-term debt and obligations under capital leases	19,095	13,335
Capitalization:		
Estimated patronage dividends to be distributed principally by the issuance of promissory (subordinated) notes and redeemable Class B nonvoting common stock (Note 2)	4,854	-
Promissory (subordinated) and instalment notes	235,549	235,289
Redeemable Class A Common stock and partially paid subscriptions (issued and fully paid, 70,140 and 70,160 shares)	7,113	7,077
Redeemable Class B nonvoting common stock and paid-in capital (issued and fully paid, 1,020,914 and 951,886 shares; issuable as partial payment of patronage dividends, 78,301 shares as of December 28, 1991)	103,189	104,151
Retained earnings	1,089	1,556
Total capitalization	351,794	348,073
TOTAL LIABILITIES AND CAPITALIZATION	$927,569	$763,109

See Notes to Condensed Consolidated Financial Statements.

COTTER & COMPANY

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

FOR THE THIRTEEN WEEKS ENDED

(000's Omitted)

(UNAUDITED)

	March 27, 1992	March 29, 1991
Revenues	$543,360	$492,533
Cost and expenses:		
Cost of revenues	494,746	450,162
Warehouse, general and administrative	32,424	27,554
Interest paid to members	6,229	6,155
Other interest expense	1,367	747
Other income, net	(290)	(371)
Income tax expense	87	150
	534,563	484,397
Net earnings	$ 8,797	$ 8,136

See Notes to Condensed Consolidated Financial Statements.

COTTER & COMPANY

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THIRTEEN WEEKS ENDED

(000's Omitted)

(UNAUDITED)

	March 27, 1992	March 29, 1991
Cash flows provided by (used for) operating activities:		
Net earnings	$ 8,797	$ 8,136
Adjustments to reconcile net earnings to cash and cash equivalents from operating activities:		
Statement of earnings components not affecting cash and cash equivalents	6,176	5,835
Net change in working capital components	(84,963)	(63,215)
Net cash and cash equivalents (used for) operating activities	(69,990)	(49,244)
Cash flows provided by (used for) investing activities:		
(Additions) to properties owned net of proceeds	(10,683)	(3,467)
Decrease (increase) in other assets	671	(25)
Net cash and cash equivalents (used for) investing activities	(10,012)	(3,492)
Cash flows provided by (used for) financing activities:		
Proceeds from short-term borrowings	102,935	57,000
Payment of annual patronage dividend	(17,789)	(16,498)
Payment of notes, lease obligations and Class A common stock	(823)	(1,072)
Net cash and cash equivalents provided by financing activities	84,323	39,430
Net increase (decrease) in cash and cash equivalents	4,321	(13,306)
Cash and cash equivalents at beginning of the year	1,061	17,837
Cash and cash equivalents at end of the period	$ 5,382	$ 4,531

See Notes to Condensed Consolidated Financial Statements.

COTTER & COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 - GENERAL

The condensed consolidated balance sheet, statement of earnings and statement of cash flows at and for the period ended March 27, 1992 and the condensed consolidated statement of earnings and statement of cash flows for the period ended March 29, 1991 are unaudited and, in the opinion of the management of Cotter & Company (the Company), include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of financial position, results of operations and changes in cash flows for the respective interim periods. This financial information should be read in conjunction with the consolidated financial statements for the year ended December 28, 1991 included in the Company's Post-Effective Amendment No.1 to Form S-2 Registration Statement (No. 33-39477) and in the Company's 1991 Annual Report on Form 10-K.

NOTE 2 - ESTIMATED PATRONAGE DIVIDENDS

Patronage dividends are declared and paid by the Company after the close of each year. It is estimated that, based on past experience, the 1992 annual patronage dividend will be distributed through a payment of 30% of the total distribution in cash, with the balance being paid through the issuance of Cotter & Company Class B nonvoting common stock and seven-year Cotter & Company promissory (subordinated) notes. Such patronage dividends, consisting of substantially all of the Company's patronage source income, have been paid since 1949. The estimated patronage dividend for the thirteen weeks ended March 27, 1992 is $9,264,000 compared to $8,593,000 for the same period in 1991.

NOTE 3 - INVENTORIES

Inventories consisted of:	March 27, 1992	December 28, 1991
	(UNAUDITED)	(000's Omitted)
Manufacturing inventories:		
Raw materials	$ 12,999	$ 13,604
Work-in-process and finished goods	45,572	49,170
	58,571	62,774
Merchandise inventories	346,421	262,482
	$404,992	$325,256

NOTE 4 - CAPITALIZATION

Total shares authorized for redeemable $100 par value Class A common stock and Class B nonvoting common stock are 100,000 and 1,100,000 shares, respectively, at March 27, 1992 and December 28, 1991.

NOTE 5. - ACQUISITIONS

In January 1992, a newly formed Canadian subsidiary acquired certain assets of MacLeod-Stedman, Inc. Winnipeg, Manitoba based wholesale distributor of hardware and variety merchandise for $13,100,000. A Canad cooperative was also formed and approximately 275 former MacLeod-Stedman, Inc. franchisees have beco members, with the intention of acquiring their merchandise inventory from this cooperative. The Canadian operatio are fully consolidated in the condensed consolidated financial statements.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIO

THIRTEEN WEEKS ENDED MARCH 27, 1992 COMPARED WITH THE THIRTEEN WEEKS ENDED MARCH 29, 19
RESULTS OF OPERATIONS:

Revenues increased by $50,827,000 or 10.3% compared to the previous year. These increases resulted fr improved membership participation combined with improved economic conditions. Gross margins increased $6,243,000 or 14.7% due to increased sales. Gross margin as a percentage of revenue was 8.9% compared to 8.6 for the same perio t last year.

Warehouse, general and administrative expenses increased by $4,870,000 or 17.7% in support of increased sa and expansion of the Company's distribution network.

Interest paid to members increased by $74,000 or 1.2% due to an increase in the balance of promiss (subordinated) and instalment notes partially offset by a lower average interest rate.

Other interest expenses increased by $620,000 or 83.0% due to an increase in short-term bank borrowi compared with the same period last year.

Net earnings were $8,797,000 compared to $8,136,000 for the same period last year.

The effect of the Canadian operations does not have a significant impact on the Company's operating results financial position.

THIRTEEN WEEKS ENDED MARCH 27, 1992 COMPARED WITH THE YEAR ENDED DECEMBER 28, 1991
LIQUIDITY AND CAPITAL RESOURCES:

In 1992, net working capital increased to $175.6 million from $174.0 million at December 28, 1991. The curr ratio in 1992 is 1.32 compared to 1.43 in 1991. Current assets increased by $156.5 million primarily due to increas inventories of $79.7 million, to better service the needs of members and supply the new regional distribution cen in Kingman, Arizona. In addition, accounts and notes receivable increased by $65.0 million resulting from increas sales and favorable payment terms obtained by the Company from its vendors which the Company passed on to members. Current liabilities increased by $155.0 million due to an increase in short-term borrowings of $102.9 mill and an increase in accounts payable and accrued expenses of $67.1 million in support of the increased inventori

Short-term lines of credit available under informal agreements with lending banks, cancellable by either pa amounted to $90.0 million at March 27, 1992. There were $90.0 million of borrowings outstanding under th agreements as of March 27, 1992. In addition, the Company borrowed $34.2 million against the uncommitted li of credit with lending banks as of March 27, 1992.

The Company's capital is derived from redeemable Class A common stock and retained earnings, together w promissory (subordinated) notes and redeemable nonvoting Class B common stock issued in connection with Company's annual patronage dividend. In prior years, funds derived from these capital resources have been suffici to satisfy long-term capital needs.

LIQUIDITY AND CAPITAL RESOURCES - cont.

Net capital expenditures including those made under capital leases, exclusive of assets acquired for the Canadian operations (See Note 5), were $3.8 million for the thirteen weeks ended March 27, 1992 compared to $3.5 million during the same period in 1991. The 1992 expenditures were principally related to additional equipment and technological improvements at the regional distribution centers and the National Headquarters. Funding of 1992 capital expenditures is anticipated to come from operations and external sources, if necessary.

The effects of all recent tax legislation have been reflected in the condensed consolidated financial statements included elsewhere herein. Additionally, the Company has reviewed the impact of all new accounting standards issued as of March 27, 1992, that will be adopted at a future date, and has determined that these will not have a material impact on the Company's operating results and financial position.

PART II - OTHER INFORMATION

Item 4. SUBMISSION OF MATTTERS TO A VOTE OF SECURITY HOLDERS

(a) The annual meeting of stockholders was held on April 7, 1992.

(b) The annual meeting involved the re-election of five current Directors whose terms expired on April 7, 1992.

The following Directors were elected for a term of three years:

Kenneth O. Cayce, Jr.	Richard L. Schaefer
William M. Halterman	John M. West, Jr.
Jeremiah J. O'Connor	

In addition to the foregoing, the following persons were, on April 7, 1992, Directors of the Company whose terms of office continued after the annual meeting:

William M. Claypool, III	Leonard C. Farr
Michael P. Cole	Jerrald T. Kabelin
Samuel D. Costa, Jr.	Arthur W. Ketelsen
Daniel A. Cotter	Lewis W. Moore
Mark W. Everett, Jr.	Robert G. Waters

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 4. Instruments defining the rights of security holders, including indentures; incorporated herein by reference those items included as Exhibits 4A through 4I, inclusive, in the Company's Post-Effective Amendment No.1 to form S-2 Registration Statement (No. 33-39477) filed with the Securities and Exchange Commission on March 18, 1992.

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the period for which this report is filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

COTTER & COMPANY

By _____
Kerry J. Kirby
Vice President - Finance
and Administration
Chief Financial Officer

Date: May 8, 1992

(Mr. Kirby is the principal accounting officer and has been duly authorized to sign on behalf of the Registrant.)

10-Q
Nat'l. Hdqtrs. Acctg. Dept.
KJK/rr